

# Scrutiny Committee



Report of Head of Finance

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To: SCRUTINY COMMITTEE

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## Financial outturn 2013/14

### Recommendations

- (a) Note the overall outturn position of the council as well as the outturn of individual service areas.
- (b) Take into account the impact of the outturn position in the integrated service and financial planning process when setting the 2015/16 original budget.
- (c) Note the slippage in the capital programme to 2014/15.

Note: If committee members wish to raise specific questions please send these in advance if possible to either the committee clerk or the accountancy manager. Please be aware that if questions are not submitted in advance, it may not be possible to answer these in detail at the meeting.

### Purpose of Report

1. To report the final year end position for revenue and capital expenditure against budget for the financial year 2013/14.

### Strategic Objectives

2. The council has a strategic objective of effective management of resources. Monitoring actual performance against budget ensures that expenditure continues to be in accordance with the delegated powers within the constitution, and that changes in circumstances which have affected spending requirements are recognised and can be considered in the preparation of future years' budgets.

## Background

3. The attached papers contain summarised schedules of revenue and capital expenditure for 2013/14; they also present an explanation of the significant variances against budget. This is presented by service, and follows the format of the budget monitoring reports presented to cabinet briefings and published during the year in In Focus.
4. A detailed report was presented to Cabinet briefing on Wednesday 27 August and provided the opportunity for cabinet to discuss the outturn with senior management, and also for individual portfolio holders to further discuss with their heads of service.

## Revenue outturn 2013/14

5. The council's budget requirement for 2013/14 was £14.234 million. Net expenditure for services at year end was £12.065 million – this equates to a variation of £2.169 million, which has been transferred to the council's reserves. This will therefore improve the council's financial position going into what is likely to be yet another very challenging budget setting period when the budgets are set for 2015/16.
6. The council has continued to deliver on its various savings initiatives started in previous years to further reduce the council's expenditure in support of central government's austerity programme of public sector funding cuts.
7. Table 1 below summarises the outturn position by service. More detail of variances is shown at Appendix 1.

**Table 1: summary of revenue budgets and variances**

<b>Summary of revenue budgets and variances</b>	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>	<b>Notes</b>
Corporate management team	558	244	(314)	a
Corporate strategy	5,147	4,841	(306)	
Economy leisure and property	(108)	(312)	(204)	
Finance	2,436	2,416	(20)	
Housing and health	2,143	1,619	(524)	
HR, IT and customer services	1,571	1,451	(120)	
Legal and democratic services	841	472	(369)	
Planning	1,642	1,334	(308)	
Contingency	4	0	(4)	
<b>Net cost of services</b>	<b>14,234</b>	<b>12,065</b>	<b>(2,169)</b>	
Investment income	(1,947)	(2,205)	(258)	b
<b>Outturn report in Appendix 1</b>	<b>12,287</b>	<b>9,860</b>	<b>(2,427)</b>	

**Notes:**

- a. Finance line contains housing benefits and rent allowances funded by government grant as shown in table 2 below:

**Table 2: housing benefits and rent allowances**

	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
Rent allowance payments	30,569	30,411	(158)
Government grants benefits	(36)	(105)	(69)
Government grants income	(29,653)	(29,316)	337
Rent allowance overpayments recovered	(1,200)	(1,137)	63
<b>Net position</b>	<b>(320)</b>	<b>(147)</b>	<b>173</b>

- b. The council's treasury management outturn report will detail the performance on investment income. This will be considered by Audit and Corporate Governance Committee on Monday 29 September before being presented to cabinet and council. Investment income is shown within finance in Appendix 1.

## Capital

8. Including new growth bids, the original capital budget for 2013/14, as agreed by council in February 2013, was £15.804 million. Of this, £4.209 million was included in the approved capital programme and £11.595 million was budgeted in the provisional programme.

### Approved capital programme

9. Details of the changes of the approved capital programme in year are summarised in table 3 below:

**Table 3: movement on approved capital programme**

	<b>2013/14 £000</b>
Original budget 2013/14	4,209
Roll forward from 2012/13	641
Schemes deleted from approved programme in year	(28)
Schemes added to approved programme in year:	
SOHA loan	15,000
Crowmarsh office refurbishment	405
Carbon management	86
Wallingford Rowing Club	50
Transfer from provisional programme	2,987
Slippage into 2014/15	(4,667)
<b>Approved programme 31 March 2014</b>	<b>18,683</b>

10. Capital expenditure for 2013/14 was £17.742 million. Of this spend £566,000 was funded from government grants and other contributions with the balance drawn from capital receipts and earmarked revenue reserves. Detail of the variance of spend against budget is shown in appendix 2 to this report.

### Provisional capital programme

11. When funding for schemes is approved by council they are added to the provisional capital programme. Transfers to the approved capital programme are made after submission of a detailed capital scheme appraisal report to cabinet or by individual cabinet member's decision, at which point the scheme can

commence. The movement on the provisional capital programme for 2013/14 is shown in table 4 below:

**Table 4: movement on provisional capital programme**

	<b>2013/14 £000</b>
Original budget 2013/14	11,595
Rolled forward from 2012/13	2,377
Additions to programme	0
Transferred to approved programme	(2,987)
Slippage identified in year	(3,940)
<b>Balance at 31 March 2014 to be carried forward to 2014/15</b>	<b>7,045</b>

12. The £7.045 million remaining in the provisional programme relates to schemes that have not been progressed for a number of reasons, including the emergence of higher priorities or scheme delays. These will now be rolled forward to 2014/15.

### Analysis of revenue underspend

13. The variations between budgeted and actual revenue income and expenditure are summarised in table 5 below:

**Table 5: variations between budgeted and actual revenue income and expenditure**

	Total variance	Income variance		Expenditure variance				Under-spends c/fwd to 2013/14
		Grants and contributions	Other Income	Employee costs	Supplies and services	Third party payments	Other gross expenditure	
	£000	£000	£000	£000	£000	£000	£000	£000
Corporate management team	<b>(314)</b>	(250)	(7)	19	(86)	0	10	45
Corporate strategy	<b>(306)</b>	(11)	(85)	(4)	73	(269)	(10)	
Economy leisure and property	<b>(204)</b>	(5)	(49)	(48)	(121)	9	10	99
Finance	<b>(20)</b>	252	(2)	(41)	(372)	290	(147)	46
Housing and health	<b>(524)</b>	(535)	(15)	12	9	0	5	0
HR, IT and customer services	<b>(120)</b>	0	2	(9)	(80)	(27)	(6)	20
Legal and democratic services	<b>(369)</b>	(6)	(181)	(76)	(95)	1	(12)	30
Planning	<b>(308)</b>	(44)	(65)	(144)	(71)	40	(24)	18
Contingency	<b>(4)</b>						(4)	
<b>Total</b>	<b>(2,169)</b>	<b>(599)</b>	<b>(402)</b>	<b>(291)</b>	<b>(743)</b>	<b>44</b>	<b>(178)</b>	<b>258</b>

14. We have analysed the outturn position to identify cross-council explanations for the significant variation from budget, excluding a number of budgets that have a net zero impact on the council's bottom line. The following key reasons for variances have been identified.

### **Over achievement of income budgets**

15. We have overachieved against a number of income budgets for two main reasons:

- firstly, the government awarded us a number of grants during the year which we had no knowledge of when setting the budget in January 2013. These include £525,000 being South's share of the capacity funding grant in health and housing to accelerate housing growth across the Science Vale area of South and Vale, and £250,000 being South's share of the transformation grant in corporate management team for the office move; and
- second, in a number of services we have raised significantly more in fees and charges that we budgeted for. The main example is in legal services where income from taxi licenses and land charges exceeded budgets by £64,000 and £73,000 respectively.

### **Underspend against employee budgets**

16. The underspend on employee costs includes £144,000 in planning which includes savings arising from the "Fit for the Future" review of the service.

### **Underspends in supplies and services budgets**

17. Included within the £743,000 underspend on supplies and services is £259,000 adjustment to the bad debt provision in finance which has been made now that the more effective debt management by the council and its contractor has proved to be sustainable. There was also a significant underspend on consultants projects costs across services, equating to £144,000. Much of this has been carried forward to 2014/15.

### **Overspends in third party payments budgets**

18. Included in third party payments is £256,000 underspend on payments to the council's waste and street cleansing contractor resulting from contract costs and inflation being lower than budget. There was also an overspend on payments to the financial services contractor, Capita, of £262,000. This is shown within finance and reflects increased payments to Capita as a result of improved performance a part of which relates to the vastly improved debt collection performance that has allowed us to substantially reduce our bad debt provisions (see above).

### **Measures to control future variances**

19. As members will recall, the financial outturn report for 2012/13 also reflected a significant underspend against budget. As with last year, much of the variance reflected unbudgeted, additional income which was unknown at the start of the year.

20. However, following 2012/13 outturn, a number of measures were adopted to help control the level of underspend and variances. As scrutiny committee was advised at the time, these measures were introduced for 2014/15 budget setting and therefore the full impact of these measures will not be evident until the financial outturn for 2014/15 is reported next year. The following paragraphs show the measures that were adopted.

### **Employee costs**

21. For the 2014/15 budget setting process, management team retained a two per cent managed vacancy factor (net across the council). This level reflected the level of underspend against employee costs experienced at that time and will be reviewed annually.

### **Challenge process during budget setting**

22. Budget holders were asked to thoroughly review their base budgets for possible savings. Historically, budget holders have tended to be reluctant to do this in case savings exercises are required at a later date in the budget setting process. However, managers were reassured that any savings offered up would count in any future savings review. In addition, for the first time SMB conducted “Star Chambers” with heads of service to critically review their base budgets and seek to identify further savings. As a result of this, £1.241 million of base budget reductions were identified and made in 2014/15.

### **Use of contingency**

23. A review of service budgets identified that, in addition to the central contingency budget, there were also budgets within services that could also be considered contingency budgets. These budgets have now been centralised. The level of the corporate contingency has been assessed based on the likelihood of the individual component budgets being required. The make-up of the corporate contingency budget will be reviewed annually.

### **Financial, legal and any other implications**

24. The financial implications are as set out in the body of the report. There are no other implications of this report.

### **Conclusion**

25. The council has underspent on both revenue and capital for 2013/14, following the trends of recent years. As reported above, the council has taken steps to mitigate against future significant revenue variances and as a consequence reduced its 2014/15 base budget by over £1 million.

### **Appendices**

1. Revenue outturn 2013/14 and commentary on major variances
2. Capital outturn 2013/14 – summary and commentary

### **Background Papers**

- Annual statement of accounts 2013/14 (currently being audited)
- Annual budget papers for 2013/14